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## FEDERAL ASPECTS OF PREFERENTIAL TRADE IN THE BRITISH EMPIRE

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The battle over the Corn Laws was fought out in Great Britain as a domestic issue. But it had nevertheless a great imperial significance. During the mercantilistic régime the colonies had been regarded as a commercial appanage of the mother country. The victory of the free traders opened up a new era in the economic history of the empire. The colonies were released from the irksome restrictions of the Navigation Laws. They acquired the right to frame their own tariffs with a view to their own particular interests. In short, they ceased to be dependent communities and became self-governing states.

But the emancipation of the colonies was by no means complete. The home government still claimed the right to control their tariff policies. The colonies were privileged, indeed, to arrange their tariff schedules according to local needs; but it was expected that their tariff systems would conform to the fiscal policy of the mother land. The free traders, no less than the mercantilists, were determined to maintain the fiscal unity of the empire. There was still an imperial commercial policy; its motif only had been changed from protection to free trade. The colonies were still bound to the fiscal apron strings of the mother country; but the strings were no longer so short, nor the knots so tight as they had formerly been.

### INTERCOLONIAL PREFERENCE IN AUSTRALIA

In furtherance of the new imperial policy, the British government inserted a provision in the Australian Colonies Constitution Act prohibiting the local legislatures from levying discriminating duties. The natural economic unity of the Australian

group was sacrificed to further the interest of international free trade. At first the colonies did not protest. But with the growth of population and intercommunication, the colonial governments came to realize the necessity for closer political and economic relations. The executive council of New South Wales in 1866 petitioned the imperial Parliament to repel the constitutional provision in respect to discriminative duties. The Tasmanian government soon after took up the question of inter-colonial reciprocity with earnestness and enthusiasm. At the same time the New Zealand executive demanded the right for the colonies to enter into reciprocity treaties with foreign states. But the Australian governments were not ready for such advanced action. Some of the Australian leaders were inclined to think that this demand encroached upon the sovereign treaty making power of the imperial government, and that it might be a step in the direction of independence. The Australian governments accordingly determined to restrict their efforts to inter-colonial reciprocity only. At three successive conferences the colonies proclaimed their right to control their intercolonial fiscal policies without restriction or interference on the part of the mother country. The resolutions in 1871 ran as follows:

1. "That the Australian colonies claim to enter into arrangements with each other, through their respective legislatures, so as to provide for the reciprocal admission of their respective products and manufactures either duty free or on such terms as may be mutually agreed upon."
2. "That no treaty entered into by the Imperial Government with any foreign Power should in any way limit or impede the exercise of such right."
3. "That imperial interference with colonial fiscal legislation should finally and absolutely cease."
4. "That so much of any Act or Acts of the Imperial Parliament as may be considered to prohibit the full exercise of such right should be repealed."

The claims of the Australian colonies were greatly strengthened by the fact that the Canadian provinces and New Zealand were not subject to the same fiscal restrictions. For some un-

known reason the British government had failed to place any constitutional limitations on the fiscal freedom of the latter. Thanks to this omission, the British North American colonies were able to enter into reciprocal agreements for the preferential exchange of their local products and manufactures. Not only so, but they were also permitted to enter into a reciprocity agreement with the United States, under the terms of which American products were admitted into the British North American provinces at lower rates of duty than the same products from Great Britain and the colonies beyond the seas. Moreover, this agreement was not only ratified by, but was actively promoted by the British government itself. The same policy was pursued after the federation of the Canadian provinces. The Canadian parliament expressly provided for the adoption of reciprocal preferential arrangements with Newfoundland and Prince Edward Island, and negotiations were opened up with the West India Islands to the same end. In view of these precedents, the Australian colonies contended that they could not justly be denied a like measure of fiscal freedom and independence.

The reply of the Conservative government at Westminster was an emphatic *non possumus*. "By acceding to this request," the Duke of Buckingham stated, "Her Majesty's Government would recognize the principle that any group of neighboring colonies, or perhaps that any number of colonies not neighboring might make arrangements for the admission duty free of each others' products, and thus constitute differential duties as against foreign nations or even against this country."

Fortunately, the Liberal party soon after came into power. Lord Kimberley, secretary of state for the colonies, was a Liberal imperialist, and, as such, more favorable to the nationalistic pretensions of the colonies than his Conservative predecessor. But his lordship was, nevertheless, a strong free trader, and could not help but look upon the fiscal vagaries of the Australian colonies with sad misgivings. He was especially concerned lest the policy of preferential trade should be made to serve the purpose of colonial protection. The adoption of such a policy would sanction the policy of differential duties within

the empire, the political results of which, he feared, could scarcely fail to weaken the imperial connection. As a preferable alternative, he suggested a customs union or better still a complete federation of the Australian colonies. An Australian *Zollverein* would, in his judgment, secure all the political and commercial advantages of intercolonial preference, without entailing any of the dangerous consequences of the latter policy.

But the colonies refused to be sidetracked. They demanded the right to enter into reciprocal preferential conventions; and they would accept nothing more nor less. The colonies, they pointed out, were not yet ready for a federation. All attempts to bring about an assimilation of Australian tariffs had signally failed. The local legislatures were not prepared to sacrifice their fiscal independence to a federal assembly, but they were anxious to recognize the incipient spirit of Australian nationalism by the grant of preferential treatment. The policy of intercolonial preference, it was true, did not go so far as the colonial office desired, but it was at least a most important step in the direction of the unification of the colonies. Such had been the experience in Canada, and there was every reason to believe that similar results would follow in Australia. But in any case, apart altogether from federation, the Australian colonies were entitled to formulate their own tariff policies with a view to their common fiscal interests.

Lord Kimberley was in a difficult position; he was forced to make a choice between his economic creed and his political principles. The doctrine of free trade had come into hopeless conflict with the Liberal principle of colonial self-government. His suggested compromise had been decisively rejected. He expostulated with the colonies, but at last was forced to give way. The maintenance of an imperial policy, he clearly saw, must needs give place to the demands of colonial nationalism. In response to these demands, in 1873 he introduced the Australian Colonies Customs Duties Bill, under the terms of which the Australian colonies were empowered to "make laws with respect to the remission or imposition of duties upon the importations into such colony of any article, the produce or manu-

facture of, or imported from any other of the said colonies." The bill encountered some opposition in the house of lords, from a small handful of stanch free traders, but its adoption was carried by a large majority. Parliament had come to realize that it could no longer control either the domestic or inter-colonial relations of the colonies. It was called on to make a partial surrender of its imperial sovereignty, and it made it generously.

The colonies had won a splendid victory. They were now free to proceed with their preferential program. Reciprocity was no longer a theoretical question; it was a practical problem of intercolonial politics. A strange transformation in the attitude of the colonies ensued. The enthusiasm for reciprocity largely disappeared. With the first definite proposals for preferential conventions, the colonies were changed from allies into rival and competing states. The former attitude of mutual suspicion and jealousy at once reasserted itself. Intercolonial reciprocity in theory was an excellent bond of union; in practice it brought out all the latent fiscal antagonism of the colonies. Negotiations among the colonies were long and complicated. First one and then another took up the reciprocity program in the hope of finding a wider market for local products, or of joining the colonies in a closer commercial alliance. But all these efforts were wasted. There was absolutely nothing to show for the expenditure of time and effort. Not one reciprocity proposal was ever adopted. The policy of intercolonial preference, it was found, was an *ignis fatuus*. It held out the most alluring prospect of Australian unity, but it resulted only in intercolonial tariff complications.

The reasons for the failure of the reciprocity movement are not difficult to discover. The first difficulty arose out of the divergent needs of the local treasuries. All of the colonies were dependent upon customs duties for a considerable proportion of their revenue. Some of them, in fact, derived almost all of their income from this source. Not one of them was in a position to sacrifice a material proportion of its income for purely sentimental considerations. Howsoever much they might de-

sire to promote their export trade to the sister colonies, they dared not do so at the expense of the local exchequers. The fiscus stood first. Its imperious requirements could not be waived, even for commercial advantages. Yet that was what reciprocity demanded. It meant for each of the colonies either the entire repeal or a partial reduction of duties on some of the leading articles of import, in which other colonies were primarily interested. These reductions moreover could not be made to work equitably all around. Some of the colonies must inevitably be harder hit than others. And in the preliminary negotiations it seemed that the weaker colonies were likely to be the heaviest sufferers. This difficulty could not be avoided; it immediately appeared as soon as a practical proposal for reciprocity was presented. This complication alone would have sufficed to defeat the preferential program.

Much more serious were the economic difficulties. The colonies were in different stages of economic development. The two larger colonies, Victoria and New South Wales, altogether outranked the sister provinces in wealth, population and resources. They had reached the stage of comparative economic independence, and did not feel the same necessity for closer relations with their neighbors. The smaller colonies, on the other hand, were all too conscious of their economic weakness. They needed an outlet for their surplus products, but had little to offer by way of exchange. The larger colonies laid down the most humiliating conditions as the price of a reciprocity agreement. The smaller provinces were poor but proud. They refused to sacrifice their fiscal independence, or accept the tariffs of their more powerful neighbors.

The fundamental difficulty, however, was the question of the tariff. Most of the colonies had adopted the principle of protection. They had come to look upon the sister colonies as dangerous, if not hostile, competitors. To the narrow-minded provincialist, the importation of goods from the neighboring colonies was as objectionable as from a foreign state. It constituted an invasion of the home market. The maintenance of a protective tariff was to the ultra-protectionists the most im-

portant principle of government. They bitterly opposed any interference with the sacred doctrine of protection, even in the interest of closer economic union with their neighbors. This sentiment was particularly strong in some of the smaller colonies, whose industrial establishments were yet in their infancy. To these infant industries, the policy of preferential trade threatened destruction, since they could not face the competition of the more highly developed manufactures in Victoria and New South Wales.

Some of the protectionist leaders in the smaller colonies took advantage of this fact to turn the preferential program to their own private purpose. Reciprocity, they pointed out, was a matter of bargain. The colonies with the lower tariffs were at a serious disadvantage in dealing with their more highly protected neighbors, since they had little to offer in the way of tariff reductions. An increase in the tariff should therefore be a condition precedent to the negotiation of reciprocity agreements. The colonies would then be on an equal footing, and could make equal concessions. But, unfortunately, this theory did not work out in practice. Every advance in the tariff still further postponed the day of reciprocity. The protectionists clamored for more protection. They had no genuine interest in reciprocity. They had merely used the preferential program as a stalking horse for protection.

The tariff situation was further complicated by the bitter tariff conflict between the two leading colonies. New South Wales was committed to the policy of free trade. Her chief economic interests were with the mother country, and she accordingly refused to sacrifice her most profitable trade to secure trifling advantages from the sister provinces. Moreover preferential trade meant discrimination, and she had no intention of penalizing the mother country, which treated her much more generously than the sister states. Victoria, on the other hand, was wedded to protection. Thanks to her protective tariff, she had succeeded in building up a considerable number of industries. The political influence of these vested interests was such that they absolutely controlled the fiscal policy of the legislature.

No government could venture to modify the tariff without their consent, and they were unalterably opposed to any program which might endanger the tariff schedules directly or indirectly. The struggle between the colonies thus resolved itself into a battle royal between the principles of protection and free trade; and upon that policy there was no room for compromise.

The preferential policy, it must be admitted, brought out some of the worst features of intercolonial politics. The relations of the colonies were reduced to a materialistic basis. The spirit of federal unity was lost amidst the conflicting demands of local business interests. The fiscal antagonisms of the colonies were as petty and contemptible as the rivalry of the Italian cities in the middle ages. The local governments dealt with the fiscal question in a huckstering spirit. Reciprocity to them was a business proposition. There was no place for sentiment where the interest of their particular colony was at stake. The issue was reduced to one of comparative tariff advantage. In short, the chief result of the preferential movement was to extend the area of protection rather than to promote freedom of trade. Provincialism bred protection, and protection bred retaliation and strife. The preferential policy was no longer a matter of federal or common intercolonial concern, but a mere question of local economic interest.

With the failure of the preferential program, the Australian colonies began to realize that the fiscal problem could not be solved by the local governments and legislatures. From the very nature of the case, the colonial legislatures were prone to approach the question from a provincial point of view. The members were elected on local issues; they represented the particular interests of their several constituencies. Yet the question of an intercolonial tariff was more than a local issue. It was a great federal problem, and as such could only be solved by a federal assembly. Heretofore the Australian colonies had been putting the cart before the horse. They had been dealing with the economic rather than the political aspects of the intercolonial issue. But the constitutional question came first. The policy of federation demanded priority of consideration. A fed-

eral organization had first to be created before there could be any unification of Australian tariffs or policies. The financial panic of the early nineties brought home to the colonies the economic weakness of isolation and disunion. The rapid development of the spirit of Australian nationalism, together with the danger of foreign complications, served to emphasize still further the manifold advantages of union. The combination of these factors brought about the Commonwealth of Australia. With the unification of the colonies came the solution of the fiscal problem in the adoption of a common federal tariff.

#### IMPERIAL PREFERENTIAL TRADE

The present day agitation for imperial preferential trade bears many striking resemblances to the Australian reciprocity movement. The same motives, methods, ideals and difficulties are everywhere in evidence. Great Britain stands in much the same relation to the colonies that New South Wales formerly sustained to the Australian group. The same curious complexity of political idealism and economic selfishness is clearly revealed. The battle between free trade and protection is again at issue on a wider field. The whole question of the relation of the mother country to the colonies reappears in a more practical form as the most serious problem of the empire. An economic reorganization of the empire is demanded to correspond with the growing sense of political solidarity. In short, the movement for imperial preferential trade is but a broader expression of the Australian national ideals of 1873. The conception of unity has taken on a higher form. It is no longer satisfied with a mere national expression; it seeks its full fruition in an imperial ideal. But the old practical difficulties in the diverse forms of protective tariffs, Cobdenism, provincial jealousies and conflicting economic interests again block the way to the realization of the imperial ideal.

The imperial preferential movement, like its prototype in Australia, has both a political and economic significance. On its political side it represents the aspirations of the empire for a

closer bond of union. There is a wide diversity of opinion as to the future organization of the empire, whether it should assume the form of a *Bundesstaat* or of a *Staatenbund*; but imperialists and nationalists alike are agreed in recognizing that a reorganization is necessary and that the fiscal issue is closely bound up with the question of political reconstruction. To many an ardent imperialist it seems that the fiscal question is the crux of the whole imperial problem and that the very existence of the empire is dependent upon the unification of its economic life. Even a few of the nationalist leaders, Mr. Jebb, for example, have adopted the same political principle. To the Tory imperialist of today, as of former generations, the glory of the empire is its strength; and the symbol of its strength is to be found, not in the army or navy alone, but also in the close co-ordination of its vast economic resources for a common imperial purpose. The preferential policy is looked upon as a stage in the process of imperial consolidation which has already been worked out so successfully in the unification of the Canadian, Australian and South African colonies.

On the economic side, the imperial preferential program is a protest against the cosmopolitan policy of free trade. It seeks to build up a strong self-contained and self-sufficient nation. The imperial tariff reformers desire to free the empire from its dependence on foreign states. Throughout the vast confines of the empire there are sufficient material resources, if properly developed and coördinated, to enable the empire to lead an independent existence without outside assistance. The existing colonial trade, it is admitted, forms but a small proportion of the total trade of the empire; but it is growing rapidly, and in the not distant future promises to become the largest and most remunerative branch of the commerce of the mother country. The self-governing dominions afford almost unlimited opportunities for the expansion of imperial trade. Interimperial trade is equally advantageous to the mother land and to the colonies. The latter are much the largest per capita consumers of English goods; and Great Britain, on the other hand, furnishes the best market for colonial producers. With the gradual closing of

foreign markets to imperial trade, through the adoption of high protective tariffs, the empire will be forced to depend upon the development of the internal resources and communications of the empire as the primary source of its wealth. Both capital and labor should be encouraged to seek a home within the empire rather than without. In short, it should be the policy of the empire, according to the tariff reformers, to formulate a fiscal policy which would build up the industries of the empire and promote the social and economic unity of its citizens. To this end, the mother land and the colonies should at once proceed to extend the principle of intercolonial preference to the whole empire. A satisfactory beginning has already been made in the case of some of the colonies which have granted a distinct preference to the products of the mother country in their respective markets. But these precedents fall far short of the ideals of the supporters of an imperial preference. The preferential policy of Canada and of the other self-governing colonies has been voluntary in character and limited in operation. In the judgment of the imperialists, the preferential policy should be extended to the whole empire. It should be accepted by England and all the colonies as the fundamental basis of their fiscal relations. By this means alone can the political unity of the empire be transformed into a vital economic organism of worldwide power and influence.

The imperial preferential movement has followed much the same fiscal course as the Australian agitation. At the outset the demand for an imperial preference was based upon the principle of imperial free trade. It was presented by its original sponsors as a free trade measure. The New Zealand government had assumed that the free interchange of goods throughout the empire would be an essential condition of an imperial confederation. The English protectionists at first generally entertained the same idea. One of the objects of the Fair Trade League of 1881 was "to make of Great Britain and her dependencies a vast *Zollverein* within which the principles of free trade should be unhesitatingly recognized." The original proposals of Mr. Chamberlain were directed to the same end. The growth of pro-

tectionist sentiment in the colonies rendered this program impossible of execution. The colonial governments were actively engaged in fostering the infant industries of their respective provinces and they declined to have anything to do with an imperial policy which would expose local manufacturers to English competition. In the face of this opposition, the English imperialists were forced to change their policy. The protectionists had captured the preferential movement. The resolutions of the Colonial Conference of 1902 reflected the victory of the colonial protectionists over the imperial free traders. "In the present circumstances of the colonies it is not practicable to adopt a general system of free trade as between the mother country and the British dominions beyond the seas." Henceforth the policy of preferential trade in England was tied up with the question of the adoption of a protective tariff. In return for preferential treatment in the colonies, the mother country was called upon to sacrifice her system of free trade.

But by an interesting coincidence the execution of this program was defeated in England, as the similar policy had been in New South Wales, by the complete triumph of the Liberal party in 1906. Sir Henry Campbell-Bannerman came into power pledged to the maintenance of the policy of free trade. England now found herself in the same position in relation to the self-governing colonies that New South Wales had been to the Australian group. She was a free trade nation surrounded by protectionist offspring. The fiscal differences of the empire for the time being were irreconcilable. The mother country refused to give up her free trade principles; the colonies as firmly declined to sacrifice their protective tariffs. There was this difference, however, that England fully recognized the constitutional right of the colonies to determine their own tariff policies and made no effort whatever to force her own fiscal theories upon them, whereas some of the colonial governments could not forbear interfering in English politics by keeping up their agitation for a reciprocal imperial preference. It was now the turn of the colonial protectionists to appeal to the old imperial tradition that there should be one fiscal policy for the empire. The leader-

ship of the imperial movement had passed from the mother country to the colonies and the movement itself had taken on a distinctly protectionist character. But the British Parliament was by no means indifferent to these momentous changes. It had long ceased to consider itself a true imperial body. It had become a national assembly and as such demanded for itself and its constituents the same liberty and independence of action in fiscal matters that it freely conceded to the colonial legislatures. The British government, moreover, could not overlook the fact that many foreign states were treating the commerce of the mother country with far greater liberality than some of the colonies which were most insistent upon being granted a preference in the English market. The preferential program held out little immediate prospect of a development of British trade with the colonies which would offset the probable loss or disorganization of the foreign trade of the nation. In short, the policy of preferential trade did not hold out to the mother land the same alluring prospects of imperial expansion that it did to the colonies.

The preferential policy was most attractive in theory; it appealed to the patriotism of the empire. But when the imperialists came to deal with the practical aspects of the question, they met the same difficulties that had defeated the Australasian experiment in intercolonial reciprocity. In Great Britain, Mr. Chamberlain's preferential proposal became inextricably mixed with Mr. Balfour's retaliatory policy and the more far-reaching program of the protectionists for a system of ad valorem duties. All these proposals looked towards the adoption of some form of protection. But the protectionists could not agree among themselves as to the form that the proposed tariff should take and as to the countries or products to which it should be applied. The tariff reformers, the free fooders and the landed interests were all engaged in a lively internecine struggle. The Conservative party was wrecked. At the very moment when Mr. Chamberlain was calling on his countrymen to think imperially, a majority of his party were using the imperial campaign for the furtherance of the most selfish national interests.

English farmers and iron and steel manufacturers did not take any more kindly to Canadian than to foreign competition. The food taxes were the crux of the problem. The workingmen were bitterly opposed to a revival of the Corn Laws, but without such duties the policy of preferential trade would have been a farce. Even Mr. Chamberlain was obliged to qualify his imperial views in the interests of the poorest of the English laboring class. The secretary of state for the colonies struggled desperately against the nationalistic influences of the two extreme wings of the party, the full-fledged protectionists and the arrant free traders; but the particularist forces were too strong for him. He had himself been foremost in appealing to the material interests of the nation, in favor of imperial preferential trade; and now these same interests came back to plague him with their particularistic demands. He had hoped to make protection the sworn ally of imperialism only to find, however, that it was no more the friend of imperial unity than free trade had been. In the end, his splendid imperial idea was lost amid the petty fiscal squabbles of the Conservative party.

The preferential movement in the colonies has experienced many of the same difficulties. In the early stages of the movement, the colonial governments sought to bring about a restoration of the old system of imperial preferential trade, but the free trade government in England would not consider the proposition. The skillful political tactics of Sir Wilfrid Laurier gave a new direction to the movement. He took up the preferential program as a distinctly national policy. The Canadian preference was made to serve a twofold purpose: so far as Canada was concerned it was a measure of tariff reform for the relief of the Canadian agriculturalists and consumers; in its imperial aspects it was a freewill offering to the British nation. The preferential policy was robbed of its sordid imperial aspects. It was no longer presented as a commercial proposition, but was placed on a purely national and voluntary basis. In short, the principles of liberal imperialism were again set up. The policy of an imperial preference was again identified with the two cardinal

principles of freedom of trade and colonial autonomy. The imperial ideal was generously recognized without a sacrifice of the fiscal independence of any portion of the empire. The success of the Canadian experiment was followed by the adoption of a similar policy in several of the other self-governing dominions. Australia, New Zealand and South Africa all freely extended a preference to the mother country without demanding a *quid pro quo*. The policy of Sir Wilfrid Laurier reaped its own reward in the rapid expansion of intraimperial trade and the growing sense of social and political solidarity throughout the empire.

One of the most important results of Sir Wilfrid Laurier's policy was the abrogation of the Belgian and German *Zollverein* treaties. The English Parliament, as we have seen, had long since lost control over the tariff policies of the colonies. But there was still the royal prerogative with which the colonies had to reckon. The crown still held an effective veto over the colonies in the form of the treaty making power; and the English government did not hesitate to exercise this power for the promotion of imperial free trade. By the treaties of 1862 and 1865 with Belgium and the *Zollverein*, respectively, it was provided that the products of these countries should not be subject in the British colonies or possessions "to any other or higher export duties than the products" of Great Britain. In short, the colonies could not grant a preference to the mother land even if they so desired; they were effectually bound to the chariot wheels of the foreign office. Against this humiliating position the colonies more than once protested, but without avail. The statecraft of Sir Wilfrid Laurier, in granting a voluntary preference to the mother country, forced the hand of the British government. The obnoxious treaties were abrogated under the combined pressure of imperial public opinion and a gentle intimation of a possible withdrawal of the Canadian preference. In theory, at least, it was a great imperial victory. The empire was liberated from the baneful domination of an international creed; it was free to give expression to its own conceptions of unity. The day was not far distant, it was thought, when the

economic interests of the empire would be bound together by a series of preferential agreements. The sentimental unity of the empire would be strengthened by material considerations of greater and more permanent value.

But the hopes of the imperialists sadly miscarried. What at first had appeared to be an imperial victory turned out to be a nationalistic triumph. The former mercantilist and free trade policies had looked upon the empire as a fiscal unity, and in accordance therewith had laid down a uniform policy for all its ports. The preferential policy, on the other hand, has emphasized the independent existence of the different divisions of the empire by endowing the colonies with a limited interimperial treaty making power. In their fiscal relations to one another they have appeared, not as common members of one body politic, but as separate and distinct states with divergent national interests. It is not surprising under the circumstances that some of the colonies soon proceeded to turn their new imperial freedom to distinctly national purposes. Some of the colonies entered into preferential relations with one another from the advantages of which the mother country and sister colonies were excluded. The preferential policy proved to be discriminatory in operation. The original idea of the commercial unity of the empire was largely lost sight of in the general competition of the colonies to push their trade as much as possible at the expense of their fellow citizens in other parts of the empire.

The Canadian government was not satisfied with the concession of the power to enter into interimperial preferential relations. It aspired to complete colonial autonomy and demanded the right to enter into preferential agreements with foreign states. The most favored nation treaties of the mother land effectually barred the way. The reciprocity agreement with France afforded the most convincing evidence of the necessity of getting rid of these irksome imperial restrictions upon the commercial freedom of the colonies. The Australian Commonwealth had just encountered similar difficulties in attempting to restrict the preferential treatment of British products to

goods which were carried in British ships. Sir Wilfrid Laurier took advantage of the situation to present a resolution at the imperial conference in 1911 for the exemption of the colonies from the operation of the most favored nation clause treaties with foreign states. Sir Edward Grey accepted the proposal and promised to take the necessary measures to secure the abrogation of the obnoxious provisions. The British imperialists were suspicious of this nationalistic tendency which in their judgment threatened the commercial unity of the empire. This suspicion was transformed into hysterical alarm when, a short time after, the Laurier ministry entered into a tentative reciprocity agreement with the United States and submitted it for the consideration of the Canadian parliament. The imperialists now found that their materialist arguments were turned against themselves and they fell back once more on the old and much despised appeal to imperial sentiment. With a charming disregard of historical facts, the Chamberlain tariff commission declared: "The Reciprocity agreement for the first time in our history would establish a discrimination in favor of one state of the empire against the United Kingdom and the rest of the empire. Such discrimination has always been declared to be incompatible with imperial unity." Thanks to this patriotic appeal, the reciprocity agreement was defeated; but the danger of a revival of the demand for a larger treaty making power has by no means disappeared. The nationalistic parties in the colonies will never rest content until the colonies have been placed upon an absolute equality with the mother country in commercial as in all other matters.

One of the chief difficulties of the imperialists has arisen from the opposition of the colonial protectionists to any measure of genuine tariff reform. From the very beginning the Canadian protectionists fought Sir Wilfrid Laurier's policy of a voluntary preference. They objected to it on the ground that it provided for no reciprocal concessions on the part of Great Britain, but they opposed it even more strongly because it involved a material reduction of the local tariff on British manufactures. The same protectionist spirit has been equally manifest in the

other colonies. In the Australasian dominions the protectionists have succeeded in defeating all measures for a reduction of the tariff on imperial products. The preferential policy has there taken the form of an increase of the tariff on foreign goods. This concession has undoubtedly been of considerable value to the English manufacturer in competing with his American or European competitors; but it has afforded him no relief from the customs burdens which are imposed upon his goods in the interest of the local producer. The colonial tariff on many articles was so high as to exclude the English manufacturer from the colonial markets. It was little satisfaction, under the circumstances, for the British trader to know that he was better off than the foreign manufacturer. In short, the value of the preference was dependent upon the liberality of the fiscal policies of the self-governing units of the empire.

Many of the colonial protectionists were the stanchest imperialists in constitutional matters and on questions of defense or foreign policy, but on fiscal questions they were the most narrow-minded of provincialists. Their imperialism did not extend to their pocketbooks. They objected to any form of preference which involved a reduction of the local tariff. They came forward as the vigorous champions of colonial manufacturers and workingmen against the hostile invasion of the cheap labor products of Great Britain. To the sister colonies they extended the same hostile treatment. They have been the bitterest opponents of the efforts of the colonial governments to bring about a preferential agreement between several of the colonies. The governments of Australia and New Zealand, and of Canada and Australia, have been carrying on reciprocity negotiations for years, but without success. The protected interests in the several colonies have combined to defeat any impairment of their special fiscal privileges. The selfish interests of the protectionists have proved too strong for the imperial spirit of the people. The empire has been transformed into a hostile group of competing states.

The fiscal relations of the empire are chaotic indeed. "Today, for example," as Professor Skelton points out, "in Canada,

New Zealand has a preference, Australia has not; in New Zealand, South Africa has a preference, Australia has not; in Australia, South Africa has a preference, Canada and the United Kingdom have not." The principle of an imperial preference is accepted in theory; it is disavowed in fact. Every proposal to bring about an interimperial "most favored nation" agreement has signally failed. The broad-minded enthusiasm of the colonial delegates at the imperial conferences has soon disappeared in the unfriendly atmosphere of the local legislatures. The delegates have been made to feel very speedily that their primary obligation was to their respective colonies rather than to the empire at large. The resolutions of the imperial conferences have been quietly consigned to the ministerial waste paper baskets. In short, the jealousies of the local legislatures and the selfishness of vested interests within the several colonies have nullified all the efforts of English and colonial statesmen to bring about a commercial union of the empire or a general preferential agreement.

The external fiscal relations of the empire are equally unsatisfactory from an imperial standpoint. The self-governing units of the empire have felt free to enter into treaty agreements with foreign states which are quite incompatible with the idea of the fiscal unity of the empire. The commercial treaties of the mother land, for example, are never extended to the colonies unless the latter are expressly included. Great Britain thus enjoys "most favored nation" treatment in many other states by reason of special tariff concessions. From these commercial advantages the colonies are often excluded. The self-governing dominions are generally entitled to share in these fiscal privileges, on signifying their desire to become parties to the agreement. Since they are free to choose for themselves, they have no occasion to complain if they find themselves in a less fortunate fiscal position than the mother land in a particular foreign market. Canada, for example, has adhered to the Anglo-Japanese commercial agreement; whereas Australia has declined to do so. The colonies have also claimed and exercised the right to enter into commercial agreements with foreign states.

Canada has concluded fiscal agreements with France and Japan under the terms of which reciprocal concessions are made by both parties to the products of the other. Australia, New Zealand and Newfoundland have all carried on negotiations directly or indirectly with foreign powers for reciprocal tariff concessions. In brief, the treaty making power has been used, as have the other fiscal powers of the colonies, for purely national purposes. It has been a phase of a general "national policy" in fiscal matters.

At present the imperial preferential policy, like the Australasian preferential program, has turned out to be essentially a nationalistic and not an imperial policy. It has been diverted from its original liberal fiscal principles into an instrument of protection. It has aimed at the promotion of special colonial interests rather than at the furtherance of the general commercial welfare of the empire. So far as it has had distinctly imperial ends, it has sought to bring about the fiscal unity of the empire by a policy of bargain and sale. It has appealed to the material interests and not to the underlying spiritual ideals of the nation. Some of the unfavorable results of this policy have already appeared in the strange confusion of interimperial tariffs and an unfortunate attitude of suspicion and estrangement among the colonies in their fiscal relations to one another and to the mother country. In view of the past experience of the colonies, it is safe to assert that as long as the spirit of protection is dominant throughout the colonies there can be little hope for a genuine system of preferential trade in which the commercial unity of the empire will be recognized within the empire as well as in relation to the outside world.

The failure of the Australasian and imperial preferential experiments points to the conclusion that the unity of the empire can scarcely be attained by an appeal to material interest. Of all the ties that can bind an empire together, a bond of trade is essentially the weakest because it is at once the least patriotic and the most cosmopolitan. Commerce pursues its own selfish interests; it respects neither persons nor nations. The Canadian Tories of 1849 were the most devoted of imperialists so long as

they enjoyed a preference for their products in the mother country. But when that preference was withdrawn, they were quickly transformed into the most arrant annexationists. When it no longer paid to be loyal, their loyalty petered out. The same sordid danger confronts every attempt that may be made to build up a permanent constitutional organization of the empire upon the basis of reciprocal commercial advantages or fiscal compacts. The history of the nineteenth century has borne full witness to the fact that a sense of the social and spiritual unity of a people, and not a materialistic conception of self interest, has been the deep inspiration of every national and federal union. The economic element has undoubtedly played a part, but it has been a minor part in these great national dramas. The consummation of the great colonial federations has exemplified the emergence of a new national consciousness; it has marked the triumph of the spirit of colonial nationalism over the particularistic interests of the several states. The future unification of the empire, it is safe to predict, will depend upon the development of a similar spirit of social and political solidarity throughout the empire.

To this unification, the policy of preferential trade has had little or nothing to contribute. In practical operation, the preferential program has resulted in frequent economic friction between contracting colonies. The several colonial governments have not hesitated to repudiate at will their treaty obligations whenever the claims of the local treasuries or the clamors of local protectionists appeared to render a change of policy desirable. The imperial preferential policy has succeeded in promoting a closer union of the empire only in so far as it has taken the form of a national freewill offering, rather than of reciprocal bargain or contract. In truth, the experience of the colonies seems to cast grave doubt upon the possibility of effecting a federation of the empire through the agency of any economic policy short of an imperial *Zollverein*. An examination of the history of the formation of the American union and of later federations lends confirmation to this opinion. In all these cases, the fiscal unification of the states has been brought

about by a common legislative body. It has been the product of law and not of contract. The sacrifice of the fiscal independence of the several states has been the necessary prerequisite to commercial and political unification. This is the price which the colonies, likewise, will be called upon to pay, if they decide to enter an imperial union. The question now is: Are they prepared to pay the price? The answer to the question has been postponed until the conclusion of the war. When that day comes, the statesmanship of the empire will be put to the severest test. The empire must choose between the policies of nationalism and imperialism, and the crux of that problem is the fiscal issue.